

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 23, 2023**

The Orion, located at 1800 East La Veta in Orange, requested and is being recommended for a reservation of \$2,200,298 in annual federal tax credits to finance the new construction of 164 units of housing serving tenants with rents affordable to households earning 30%-70% of area median income (AMI). The project will be developed by USA Multi-Family Development, Inc. and will be located in Senate District 37 and Assembly District 68.

Project Number CA-23-528

Project Name The Orion
Site Address: 1800 East La Veta
Orange, CA 92866
County: Orange
Census Tract: 758.06

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,200,298	\$0
Recommended:	\$2,200,298	\$0

Applicant Information

Applicant: Orange 702, L.P.
Contact: Darren Bobrowsky
Address: 3200 Douglas Boulevard, Suite 200
Roseville, CA 95661
Phone: (916) 865-3981
Email: dbobrowsky@usaprofund.com

General Partner(s) or Principal Owner(s): USA Orange 702, Inc.
Riverside Charitable Corporation
General Partner Type: Joint Venture
Parent Company(ies): USA Properties Fund, Inc.
Riverside Charitable Corporation
Developer: USA Multi-Family Development, Inc.
Bond Issuer: California Municipal Finance Authority
Investor/Consultant: WNC & Associates
Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 166
No. / % of Low Income Units: 164 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt

Information

Housing Type: Non-Targeted
 Geographic Area: Orange County
 CTCAC Project Analyst: Nick White

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	17	10%
50% AMI:	32	20%
60% AMI:	32	20%
70% AMI:	83	51%

Unit Mix

111 1-Bedroom Units
55 2-Bedroom Units
<u>166 Total Units</u>

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
11 1 Bedroom	30%	\$762
22 1 Bedroom	50%	\$1,270
22 1 Bedroom	60%	\$1,524
56 1 Bedroom	70%	\$1,778
6 2 Bedrooms	30%	\$915
10 2 Bedrooms	50%	\$1,525
10 2 Bedrooms	60%	\$1,830
27 2 Bedrooms	70%	\$2,135
2 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,124,494
Construction Costs	\$33,406,718
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,450,955
Soft Cost Contingency	\$401,583
Relocation	\$0
Architectural/Engineering	\$1,794,403
Const. Interest, Perm. Financing	\$6,711,130
Legal Fees	\$85,000
Reserves	\$704,241
Other Costs	\$5,244,141
Developer Fee	\$7,174,887
Commercial Costs	\$0
Total	\$59,097,552

Residential

Construction Cost Per Square Foot:	\$243
Per Unit Cost:	\$356,009
True Cash Per Unit Cost*:	\$325,465

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank: Tax-Exempt	\$30,000,000	Citibank	\$21,610,000
Citibank: Recycled Tax-Exempt	\$5,000,000	Riverside Charitable Corporation	\$4,000,000
Riverside Charitable Corporation	\$4,000,000	Safehold, Inc.	\$6,500,000
Safehold, Inc.	\$6,500,000	Net Operating Income	\$1,965,400
Net Operating Income	\$128,172	Deferred Developer Fee	\$5,070,331
Deferred Costs	\$7,946,368	Solar Tax Credit Equity	\$149,139
Solar Tax Credit Equity	\$149,139	Tax Credit Equity	\$19,802,682
Tax Credit Equity	\$3,960,536	TOTAL	\$59,097,552

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$55,007,468
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$55,007,468
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,200,298
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,174,887
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.90000

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions

This Project's annual per unit operating expense total is below the CTCAC published per unit operating minimum of \$4,600. As allowed by CTCAC Regulation Section 10327(g)(1), CTCAC approves an annual per unit operating expense total of \$3,921 on agreement of the permanent lender and equity investor.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).